

# Economic Recovery and Market Systems Sector Update

OCTOBER 2013

## SECTOR OVERVIEW

Natural disasters and conflicts adversely affect local economies by destroying homes and businesses, damaging productive assets, and disrupting transportation and markets. To help communities resume economic activity and rebuild livelihoods, USAID's Office of U.S. Foreign Disaster Assistance (USAID/OFDA) supports economic recovery and market systems (ERMS) in disaster-affected communities. In Fiscal Year (FY) 2013, USAID/OFDA provided nearly \$42 million to support economic recovery activities in 23 countries throughout Africa, Asia, the Middle East, and Latin America and the Caribbean, as well as worldwide and regional interventions.

The third pillar of USAID/OFDA's mandate is to reduce the economic impact of disasters. ERMS interventions strengthen key market systems and help populations restore livelihoods and purchasing power at the household, local, and regional levels. USAID/OFDA-supported economic recovery programs complement people's own efforts to recover from a disaster and prevent reliance on continued humanitarian aid.

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## SUPPORTING MODEST EARLY RECOVERY IN DARFUR



Two boys smile in front of a recently planted seedling in South Darfur. (Photo by OCHA.)

Ten years of conflict and displacement in Sudan's Darfur region disrupted markets and eroded the agriculture-based economy, devastating traditional occupations, like farming and livestock herding, and forcing people into unsustainable livelihoods activities, such as petty trade and firewood collection. While the security environment in Darfur remains unpredictable and at least 1.2 million people continue to reside in displacement camps, USAID/OFDA is supporting modest early recovery efforts in limited areas of Darfur where opportunities exist and security conditions allow. USAID/OFDA's assistance includes initiatives that bolster self-sufficiency, enhance sustainable livelihoods, and ensure communities have access to the basic services necessary to rebuild their lives, including health care, safe drinking water, and sanitation facilities.

In FY 2013, USAID/OFDA provided more than \$5.8 million for ERMS programs in Darfur, supporting a diverse range of initiatives that facilitate market access for communities, rehabilitate market systems, support viable value chains, help restore the assets of conflict-affected people, and provide trainings that enhance business and livelihoods skills. USAID/OFDA is supporting the Agency for Technical Cooperation and Development (ACTED) to facilitate immediate market access by rehabilitating a

road under a cash-for-work arrangement with local community members, thereby improving transport routes between markets, towns, and isolated communities while injecting cash into the local economy. USAID/OFDA also continued to support the U.N. Development Program (UNDP) to create and nurture sustainable livelihoods opportunities for conflict-affected communities by strengthening and scaling up value chains for agricultural commodities such as honey, groundnuts, and hibiscus. Based on research and analysis of trade patterns and markets, UNDP provides training, materials, and technical assistance to producers and facilitates linkages between producer groups and businesses. UNDP also helps to strengthen market information systems and improve access to financial services to support the value chains.

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## EMERGENCY RESPONSE AND RESILIENCE BUILDING IN YEMEN

Beginning in 2011, political instability and economic crisis exacerbated already poor humanitarian conditions in Yemen. An estimated 10 million people in the country currently face food insecurity, and as many as 13 million Yemenis lack access to safe drinking water and basic sanitation services, according to the U.N. Ongoing insecurity in many parts of the country and the lingering effects of the 2011/2012 conflict in the southern governorate of Abyan add to the complicated set of humanitarian challenges Yemen confronts. While continuing to address emergency humanitarian needs in Yemen, including



Replacing productive assets lost in conflict helps Yemenis rebuild livelihoods. (Photo by ACTED)

through cash-for-work activities that provide conflict-affected communities the means to purchase needed items, USAID/OFDA is working in conjunction with its U.S. Government, U.N., and non-governmental organization partners to reduce the impact of future disasters and promote recovery among chronically vulnerable populations.

In FY 2013, USAID/OFDA provided more than \$4.8 million for ERMS activities in Yemen, focusing on the southern governorates affected by the conflict in Abyan, where the security situation had stabilized by mid-2012. More than 95 percent of the people displaced from Abyan Governorate in 2011 and 2012 had returned to the area by September 2013, many in need

of assistance to rebuild their lives. Many of these returnees lacked the resources to invest in supplies, equipment, and infrastructure to replace what was lost during the conflict. With USAID/OFDA support, the Adventist Development and Relief Agency is helping to restore livelihoods by providing appropriate productive assets, such as fishing nets, wheelbarrows, and other supplies, to beneficiaries who present a viable business plan. USAID/OFDA is also supporting Mercy Corps to link beneficiaries with local microfinance institutions to facilitate small loans to replace lost assets.

In addition to helping people regain lost livelihoods, USAID/OFDA ERMS programs assist vulnerable people to develop new livelihoods that are more sustainable and often less reliant on Yemen's scarce water resources. For example, Mercy Corps is providing business development training and loans to vulnerable returnees and conflict-affected people—including women and youth—who want to start small businesses. Similarly, with USAID/OFDA support, Global Communities is offering vocational training across a range of trades, such as bee-keeping, basic mechanics, and clerical services. Upon completion of the training of their choice, beneficiaries receive start-up kits containing essential tools and basic materials.

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## REDUCING THE IMPACT OF DISASTERS ON LIVELIHOODS



A wide variety of goods are for sale in a market in Villa El Salvador, Peru. With USAID/OFDA support, Save the Children and local partners mapped the market systems for critical goods and livelihood activities. (Photo by Laura Meissner/Sarah Ryman, USAID)

Disaster risk reduction (DRR) for economic recovery involves assisting vulnerable populations to identify disaster-related risks to their livelihoods and key markets, and then mitigating or managing that risk.

USAID/OFDA programs in Latin America and Southeast Asia do this in innovative ways.

Two projects in Latin America are based on the neighborhood approach—a community-led view of how people relate to one another, access needed goods and services, and prepare for disasters within a given area. In Nicaragua, USAID/OFDA supports the Catholic Relief Services (CRS) United Neighbors program in 20 vulnerable urban neighborhoods in Chinandega Department. The program increases employment and livelihood opportunities for youth by helping develop life skills, offering vocational training, and providing hands-on experience in activities—such as carpentry, soldering, bricklaying, and community project design—that

help neighborhoods withstand and recover from disasters. CRS also supports the organization of neighborhood residents, particularly women, into self-managed savings and lending groups, helping them be better prepared for unexpected needs.

With USAID/OFDA support, GOAL is implementing a program designed to improve the resilience of critical market systems in three neighborhoods of Tegucigalpa, the capital of Honduras. With the participation of neighborhood residents, GOAL is helping to identify and assess market systems with the greatest potential to reduce disaster risk. GOAL then strengthens these systems by supporting small businesses through direct investment, training, and technical support to link the businesses with other stakeholders and support services, such as micro finance institutions. GOAL is also updating and testing the contingency plans for two fire-prone markets.

Throughout Indonesia, many low-income families rely on microfinance institutions (MFIs) for savings and credit. However, frequent natural disasters pose a challenge to MFIs and affect their ability to provide uninterrupted service. With continued support from USAID/OFDA, Mercy Corps and local partners forged public-private partnerships to train and advise MFIs on disaster preparedness and post-disaster financial services, such as disaster recovery loans to help affected people repair homes and businesses. USAID/OFDA's support leverages significant resources from government and private banks, which enables MFIs to access short-term liquidity immediately after a disaster occurs.

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## GLOBAL ERMS PROGRAMMING

In addition to country and regional programming to facilitate recovery and reduce risk from disasters, USAID/OFDA funds global initiatives to strengthen ERMS capacity and knowledge throughout the humanitarian community.

- **CaLP:** Supported by USAID/OFDA through Action Against Hunger/United States, the Cash Learning Partnership (CaLP) provides advanced training, conducts research, maps cash programs, and supports coordination related to the emerging field of cash-based programming.
- **Adeso:** An Africa-focused project with Adeso complements CaLP's work by providing basic training and training-of-trainers on cash and voucher programming, specifically targeted at local relief agencies in countries with large emergency responses, such as South Sudan and the Democratic Republic of the Congo.
- **SEEP:** The Minimum Economic Recovery Standards, a companion to the Sphere handbook on humanitarian response, received prior year USAID/OFDA support through the Small Enterprise Education and Promotion (SEEP) Network. SEEP provides training on the standards, hosts a multi-stakeholder steering committee, and helps implementing agencies roll out the standards in the field.
- **EMMA:** With prior year funding, USAID/OFDA supports the Emergency Market Mapping and Analysis (EMMA) methodology for rapid post-disaster market assessments through the International Rescue Committee (IRC). IRC organizes trainings on EMMA, provides technical assistance to agencies conducting EMMA assessments, and promotes EMMA through a dedicated website, publications, and events.
- **FIC:** In previous years, USAID/OFDA funded a multi-year research project through the Feinstein International Center (FIC) at Tufts University, which has studied three livelihoods-focused DRR efforts in Haiti, Kenya, and Nepal. In FY 2013, FIC released the research findings along with tools to facilitate improved development of livelihoods programs designed to reduce disaster risks.